

Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?							
Indicator Targets	Does not meet standard		The school does not meet standard on 2 or more of the five sub-indicators shown below.				
	Approaching standard		The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.				
	Meets standard		The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.				
	Exceeds standard		The school meets standard for all 5 sub-indicators.				
School Rating	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	DNMS	MS	DNMS				
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%			99%	MS
		AS	Enrollment ratio is between 90 – 98%				
		MS	Enrollment ratio equals or exceeds 99%				
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%			94%	AS
		AS	Enrollment ratio is between 90 – 95%				
		MS	Enrollment ratio equals or exceeds 95%				
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0			1.20	MS
		AS	Current ratio is between 1.0 – 1.1				
		MS	Current ratio equals or exceeds 1.1				
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30			16	DNMS
		AS	Days cash on hand is between 30-45				
		MS	Days cash on hand equals or exceeds 45				
Debt Default	DNMS	Default or delinquent payments identified			DNMS	DNMS	
	MS	Not in default or delinquent					

Indianapolis Lighthouse South received a rating of **Does Not Meet Standard** for Core Question 2.1 because it approached standard for one sub-indicator, did not meet standard for two sub-indicators, and met standard for two sub-indicators.

Based on data from the September 2014 count day, the Indianapolis Lighthouse Charter School **met standard** for the enrollment targets stated in its charter agreement. The school had 1095 students enrolled at the September count day, 13 students short of the 1108 projected in its charter agreement.

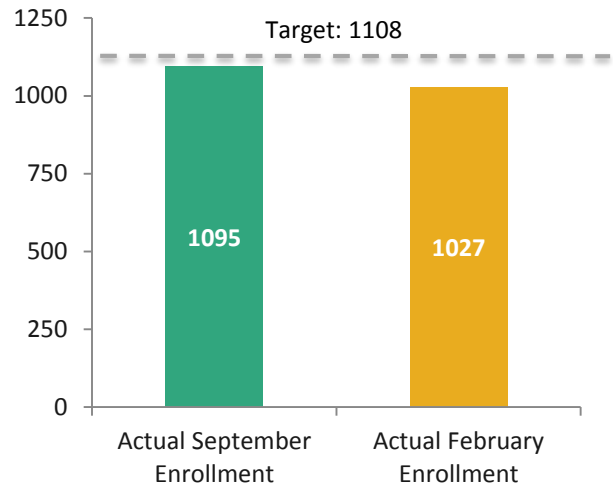
The school **approached standard** for its February Enrollment Variance. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2015 Count Day (a second count conducted by the Indiana Department of Education) by the number of students enrolled at the time of the September 2014 Count Day. IDOE indicated that the school had 1027 students enrolled at the February Count Day. This represents 94% of the number of students enrolled at the time of the September Count Day.

With regard to its current ratio, the school **met standard** meaning that it had current assets (cash or other assets that can be accessed in the next 12 months) that exceeded its current liabilities (debt obligations due in the next 12 months) by 10% or more.

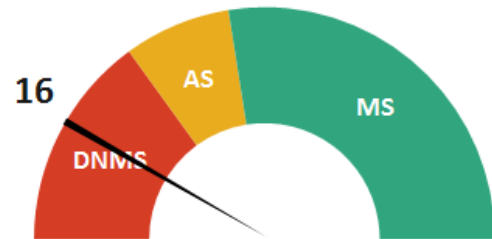
Indianapolis Lighthouse Charter School ended the year with 16 days of cash on hand. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2015, the school would have been able to operate at its same spending levels without receiving additional funds. This means that if payments to Indianapolis Lighthouse South had stopped or been delayed post June 30, 2015, the school would have been able to operate for 16 more days. As a result, the school **does not meet standard** for this indicator.

Finally, the school **did not meet** its debt obligations based on the information that Fitzgerald Isaac, the school's auditor, provided. The school did not meet the creditors days cash on hand or net available corporate income requirements. Overall, the school received a rating of **Does Not Meet Standard** for core question 2.1.

Enrollment Variance Ratio



Days Cash on Hand



2.2. Long-term Health: Does the organization demonstrate long-term financial health?							
Indicator Targets	Does not meet standard		The school does not meet standard on any of the 3 sub-indicators OR meets standard on 1 sub-indicator but does not meet standard on the remaining 2.				
	Approaching standard		The school meets standard on 2 of the sub-indicators while not meeting on the third, OR approaches standard on all 3 sub-indicators.				
	Meets standard		The school meets standard on 2 of the sub-indicators and approaches standard on the third.				
	Exceeds standard		The school meets standard for all 3 sub-indicators.				
School Rating	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	AS	AS	DNMS				
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.			\$44,482 (aggregate)	AS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.			-\$937,013	
		MS	Aggregate three year net income is positive, and most recent year is positive.			(current year)	
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95			1.00	DNMS
		AS	Debt to Asset ratio is between .9 - .95				
		MS	Debt to Asset ratio is less than or equal to .9				
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05			.63	DNMS
		AS	DSC ratio is between 1.05-1.15				
		MS	DSC ratio equals or exceeds 1.15				

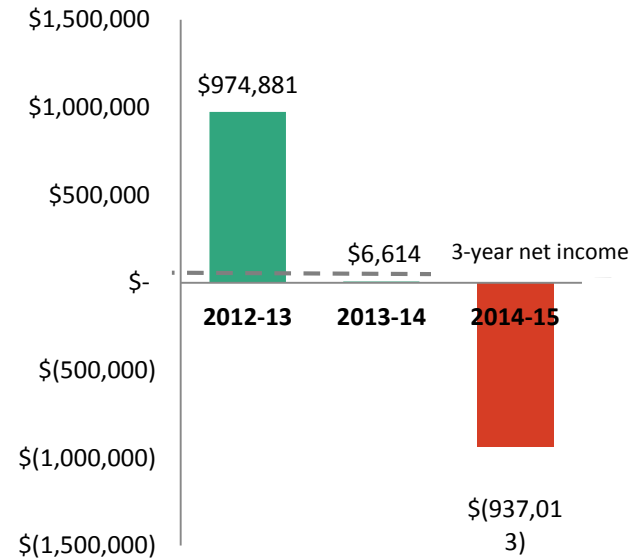
Indianapolis Lighthouse Charter School received a rating of **Does Not Meet Standard** for Core Question 2.2 for the 2014-15 school year.

The school was **approaching standard** for the net income sub-indicator. It had an aggregate three-year net income of **\$44,482** and a current year net income of **-\$937,013**.

The school **did not meet standard** on the debt to asset ratio sub-indicator. The school had a ratio of **1.00** meaning that its total debts were equivalent to 100% of its assets.

Additionally, the school **did not meet standard** for the debt service coverage ratio. The school's audit indicated that the school must pay **\$1,406,500** in capital lease costs for the coming fiscal year ending June 30, 2016. The school's debt service coverage ratio of .63 indicates that the school did not generate enough net income to cover the debt it owes in the coming year. This does not meet the goal of schools being able to cover 115% of any debt they take on in the form of long-term maturities or capital leases.

Three-Year Net Income



Overall, due to the school's ratings on individual sub-indicators, Indianapolis Lighthouse Charter School receives a **Does Not Meet Standard** for Core Question 2.2.

2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard		The school does not meet standard on 1 of the sub-indicators.				
	Approaching standard		The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.				
	Meets standard		The school meets standard on both sub-indicators.				
School Rating	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	MS	DNMS	DNMS				
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.				DNMS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				DNMS
		MS	The school satisfies all financial reporting requirements.				

Indianapolis Lighthouse Charter School received a rating of **Does not Meet Standard** for Core Question 2.3 for the 2014-15 school year.

The school **did not meet standard** for its annual accrual based audit because its audit contained a material weakness and a significant deficiency. The material weakness was noted in the financial statement findings as “overstatement of revenues over expenses for fiscal year 2015.” The school experienced changeover in accounting personnel during the fiscal year and dealt with the previous year’s closure of Monument Lighthouse Charter School, both of which contributed to uncertainty regarding the accounting for certain significant events. The Mayor’s Office is confident that current personnel are qualified to address this issue, and prevent it from reoccurring. The significant deficiency was noted in the school’s OMB Circular A-133 audit of federal funds. For the second year in a row, auditors found that the school was not able to substantiate wages allocated for some employees paid through Title I dollars. The school responded by indicating that while it went through a Semi-Annual Certification of which employees should have been paid from those funds, it did not verify that certification. The school’s response to audit findings indicates that it will be sure to verify the Semi-Annual Certifications moving forward.

Lastly, the school **did not meet standard** for its reporting requirements because it submitted 46% of its financial compliance documents to OEI in a timely manner. However, with new personnel in place, the school submitted its draft audit to the SBOA November 2, 2015 - before the November 30th deadline outlined in the Master Calendar of Reporting Requirements.

Overall, due to the school’s ratings on individual sub-indicators, Indianapolis Lighthouse Charter School receives a **Does Not Meet Standard** for Core Question 2.3.